CommonWealth One
Federal Credit Union
Your Lifetime Financial Partner

Charlotte H. Cash
President/CEO

April 24, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Comments Regarding NCUA Risk-Based Capital Proposal, RIN 3133–AD77 (RBC2)

Dear Mr. Poliquin:

On behalf of Commonwealth One Federal Credit Union please accept this letter in response to the most recent version of the proposed *Risk-Based Capital Regulation.* Commonwealth One appreciates the opportunity to provide comments on the revisions to the proposed rule. Commonwealth One has $325 Million in assets, serves over 33,000 members and has over 200 select employee groups.

Commonwealth One does not believe the Risk Based Capital Regulation is necessary, but understands that some form of Risk Based Capital will be adopted by the National Credit Union Administration. We appreciate that after careful review of the original comments submitted by stakeholders in the Credit Union industry, NCUA took some positive steps in changing several components of the original proposal, particularly lowering the RBC requirement for well-capitalized credit unions from 10.5% to 10.0%.

Some of our continued concerns we have with the proposed regulation as it stands include:

- The capital adequacy plan stipulates that credit unions must maintain capital commensurate with the level and nature of all of its risks and must have a process to determine its capital adequacy in light of its risk. There are provisions for a comprehensive written strategy to maintain "an appropriate level of capital". We believe that ultimately, interpretation in reference to this requirement can be subjective in nature and lends itself to the possibility that examiners will require increased capital levels beyond what the Federal Credit Union Act directs. This could infringe on capital plans that the Board of Directors and Senior Management have considered to be in our members' best interest. This aspect of the rule introduces the unintended consequence of forcing credit union management to reshape the credit union's business model as it relates to long term investment, lending and expansion strategies. There is a potential for negatively impacting the member experience and making the credit union less competitive as a result of excessive oversight or individual examiner subjective opinions. We suggest that the capital adequacy plan requirements be eliminated.

- If increased capital standards are imposed under the proposed rule, the ability to raise supplemental capital that counts towards net worth requirements would be an appropriate policy. The increased capital burden imposed by this rule forces consideration of the need for credit unions to appropriate supplementary capital. NCUA should address the legislative need for change and support statutory reform that would grant credit unions the ability to access supplemental forms of capital to meet risk-based capital requirements. This can be done effectively with provisions that support maintaining the cooperative culture of credit unions. Credit unions are currently the only financial institutions that cannot access any sources of capital other than retained earnings.

- The risk weighting for unconsolidated investments in Credit Union Service Organizations (CUSOs) is still excessive and penalizes credit unions that have invested in CUSOs. Many of these CUSO partnerships enable credit unions to offer services (1" mortgage, investment, credit card) in a more efficient manner than they could otherwise afford to provide. CUSOs promulgate collaboration by virtue of their very nature, help control operating expenses and increase credit union profitability and member experience. We believe the risk weighting for this type of investment should not exceed 100%. They play an essential role in the cooperative movement that credit unions operate in.

- The exclusion of the 1% NCUSIF deposit in the risk-based capital calculation infers that there is no market value to the funds set aside on our balance sheets for this purpose. One of the primary purposes of the rule is to identify risks to the share insurance fund, by deducting the NCUSIF deposit from assets and equity, there is an implication that the amount plays no part in that calculation, which clearly is not the case. We suggest that the NCUSIF deposit should not be deducted from the risk based capital numerator.

Commonwealth One appreciates the opportunity to share its concerns with the proposed regulation. *NCUA's Risk Based Capital Proposal* could impact the future growth of our credit union and obstruct elements of our business plan.

Sincerely,

Charlotte H. Cash

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